



Natural Gas Weekly Update

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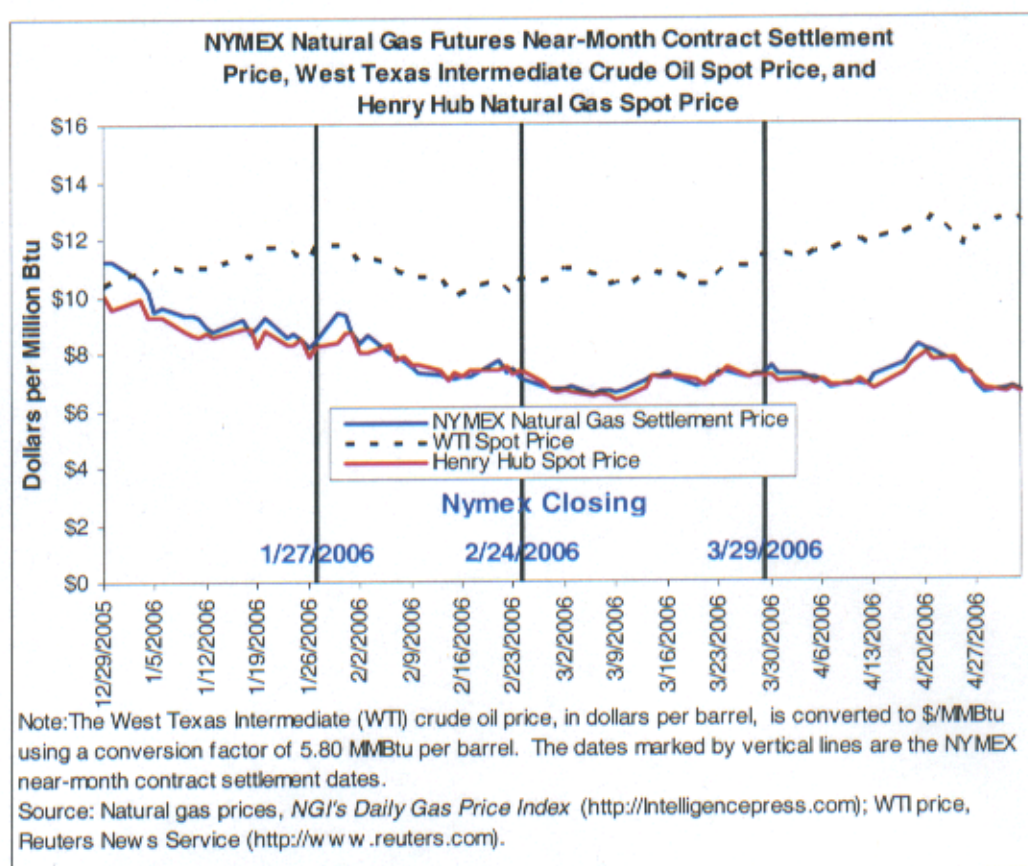
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Overview: Thursday, May 4 (next release 2:00 p.m. on May 11, 2006)

Natural gas spot prices decreased at all market locations in the Lower 48 States since Wednesday, April 26, 2006. For the week (Wednesday, April 26 to Wednesday, May 3), the spot price at the Henry Hub decreased 62 cents, or about 9 percent, to \$6.56 per MMBtu. The price of the NYMEX futures contract for June delivery settled at \$6.606 per MMBtu yesterday (May 3), which is 67 cents or about 9 percent less than last Wednesday's level. As of Friday, April 28, 2006, natural gas in storage was 1,904 Bcf or 58 percent above the 5-year average of 1,205 Bcf. The spot price for West Texas Intermediate (WTI) crude oil was \$72.26 per barrel or \$12.46 per MMBtu as of yesterday. This is 55 cents per barrel more than the price last week, an increase of about 1 percent.

**Prices:**

Natural gas spot prices decreased at virtually all market locations in the Lower 48 States last week, reflecting predominantly moderate temperatures that likely reduced both late season space heating demand and early-season air conditioning load. The declines, which ranged mostly between 20 cents and 70 cents per MMBtu, occurred despite increases in crude oil prices this week which remain near record-high levels. Since last Wednesday, April 26, the Henry Hub spot price decreased 62 cents, or about 9 percent, to \$6.56 per MMBtu. Similar declines, averaging about 59 cents, were seen in all the producing regions around the Gulf Coast. Along with the Northeast, where decreases averaged about 62 cents per MMBtu and Florida, which decreased over \$1.00 per MMBtu, these were the largest declines during the week. Most other market locations in the Lower 48 States had decreases of less than

cents per MMBtu. Spot prices are generally similar to this time last year. For example, yesterday's Henry Hub spot price is 5 cents per MMBtu less than on the same date last year, and the spot price at Transco Zone 6 in New York yesterday (\$7.09 per MMBtu) is 1 cent per MMBtu less than the same date last year. The spot price at Chicago City Gates, on the other hand, is significantly lower than last year, at \$6.16 per MMBtu yesterday compared with \$6.62 per MMBtu last year.

Spot Prices (\$ per MMBtu)	Thur. 27-Apr	Fri. 28-Apr	Mon. 1-May	Tue. 2-May	Wed 3-May
Henry Hub	6.93	6.65	6.54	6.68	6.56
New York	7.35	7.08	7.03	7.20	7.09
Chicago	6.13	6.13	6.01	6.21	6.16
Cal. Comp. Avg.*	5.72	5.67	5.65	5.89	5.87
Futures (\$/MMBtu)					
June delivery	6.805	6.555	6.695	6.746	6.606
July delivery	7.050	6.810	6.970	7.016	6.866

*Avg. of NGI's reported avg. prices for: Malin, PG&E citygate, and Southern California Border Avg.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>).

At the NYMEX, the price of the futures contract for June delivery at the Henry Hub decreased to \$6.606 per MMBtu in its first week of trading as the near-month contract. This represents a decline of 67 cents or about 9 percent on the week (Wednesday to Wednesday) or about 20 cents since becoming the near-month contract on Thursday, April 27. The large differential between the Henry Hub spot price and the futures contracts for next winter continues to provide economic incentives to inject natural gas into storage. At \$11.456 per MMBtu, the January 2007 contract held a \$4.90 premium to the Henry Hub spot price yesterday. The 12-month strip, or the average price for futures contracts over the next year (June 2006 – May 2007), settled yesterday at \$9.03 per MMBtu, a decline of 48 cents per MMBtu since last Wednesday, April 26.

Recent Natural Gas Market Data

Estimated Average Wellhead Prices

	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Price (\$ per Mcf)	10.97	9.54	10.02	8.66	7.28	6.52
Price (\$ per MMBtu)	10.68	9.29	9.76	8.43	7.09	6.35

Note: Prices were converted from \$ per Mcf to \$ per MMBtu using an average heat content of 1,027 Btu per cubic foot as published in Table A4 of the [Annual Energy Review 2002](#).

Source: Energy Information Administration, Office of Oil and Gas.

Storage:

Working gas inventories increased to 1,904 Bcf as of Friday, April 28, according to EIA's *Weekly Natural Gas Storage Report* ([See Storage Figure](#)). After 4 consecutive weeks of net injections, stocks were 699 Bcf, or about 58 percent, above the 5-year average inventory level for this week. The implied net injection of 53 Bcf is 11 Bcf less than the 5-year average net injection of 64 Bcf, but 9 Bcf more than the net injection for this week last year. Moderate temperatures likely lowered weather-related natural gas demand for the Lower 48 States as a whole during the week ending Thursday, April 27 ([See Temperature Maps](#)). Still, cool temperatures in New England, which was about 12 percent colder-than-normal, likely influenced some late-season heating demand in key markets. Similarly, high temperatures in the South Atlantic and the West South Central Census Divisions may have sparked some early-season demand for natural-gas fired electric power generation from air conditioning.

load.

	Current Stocks 4/28/06	One-Week Prior Stocks 4/21/06	Implied Net Change from Last Week	Estimated Prior 5-Year (2001-2005) Average	Percent Difference from 5 Year Average
All Volumes in Bcf					
East Region	959	930	29	568	68.8%
West Region	255	247	8	197	29.4%
Producing Region	690	674	16	440	56.8%
Total Lower 48	1,904	1,851	53	1,205	58.0%

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.
Row and column sums may not equal totals due to independent rounding.

Other Market Trends:

MMS Issues Its Final Report on the Effects of Hurricanes Katrina and Rita. The Minerals Management Service (MMS) reported that 1.3 Bcf per day of natural gas production in the Gulf of Mexico remained shut in as of Wednesday, May 3. This is about 12 percent of total annual marketed production in the Federal Offshore Gulf of Mexico. Cumulative shut-in natural gas production from August 16, 2005 through May 3, 2006, totaled nearly 749 Bcf, which is equivalent to 18.9 percent of annual production in the Gulf of Mexico and about 3.9 percent of annual U.S. natural gas production. At 1.3 Bcf per day, the daily shut-in rate is down significantly from October 2005 when shut-ins reached about 5.6 Bcf per day. However, production increases in the Federal Offshore have become relatively small in recent months, with current production levels only 0.6 Bcf per day more than on April 5, 2006. Given these relatively small variations in the shut-in statistics and the looming 2006 hurricane season, the MMS noted that this will be its final report on the effects of Hurricanes Katrina and Rita on natural gas production.

Natural Gas Transportation Update:

- Gulf South Pipeline Company announced that both the maintenance at the Montpelier Compressor and the pigging at Burns Offshore Pipeline System have been completed. In addition, Gulf South announced that the SLN 464 shut-in that was supposed to continue until May 5 may end as early as May 4 with gas available for gas day May 5.
- Mississippi River Transmission Company (MRT) announced a System Protection Warning to its Unionville storage facility, effective Monday, May 1 through Monday, May 15, 2006. During that time, MRT will not allow any daily imbalance that results in an over delivery of supplies.
- Southern Natural Gas has announced it is currently experiencing receipts in excess of scheduled quantities and pipeline capacity west of the Bienville Compressor Station in North Louisiana, which is threatening the operational integrity of the system. If the situation does not improve, Southern will implement a Type 5 operational flow order (OFO) for receipts in excess of scheduled quantities effective start of the gas day Saturday, May 6, 2006, until further notice.
- Northern Natural Gas announced today that it continues a force majeure on its Matagorda Offshore Pipeline System (MOPS). Northern is working on the problem, and three platforms will remain shut-in until further notice.
- Questar Pipeline reminded shippers about the scheduled maintenance for May 9-12, on its ML 68 between the Divide Creek and Greasewood facilities. Eight receipt points

will be affected by this maintenance. Receipts at the Rifle scheduling point will be reduced to 35,000 Dth/d. Deliveries to TransColorado will not be accepted.

[Short-Term Energy Outlook](#)

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

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